

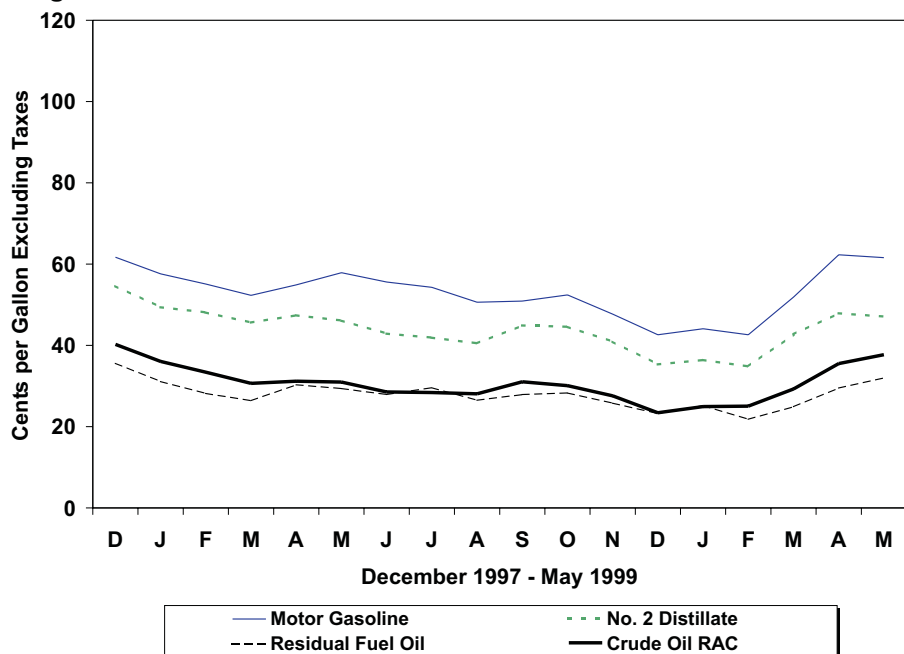
Highlights

International crude oil prices eased during May, as the influence from global wellhead production cuts began to dissipate under pressure from other market trends. In combination with a routine drop in demand for product at this time of year, several other factors contributed to the downturn in prices: ongoing thin refining margins throughout regional markets, reports of increased crude oil production in Nigeria, and the start of a new term for the United Nations-sponsored humanitarian "oil-for-food" deal with Iraq. More specifically, refining margins have been constrained by substantial finished products inventories, which in turn have resulted from slower-than-expected consumer demand and robust refinery output during 1998 and 1999 thus far. Additionally, while information concerning upstream operations signaled improved rates of compliance to reduced quotas for most nations participating in the Organization of Oil Exporting Countries (OPEC)-sponsored production cuts agreement, indications that Nigeria appreciably exceeded its quota emerged late in the month. At the same time, the U.N. Security Council passed Resolution 1242, establishing the sixth installment of the "oil-for-food" program. The latest phase, allowing Iraq to produce and export up to \$5.26 billion of crude oil and other petroleum products during a 180-day period, was scheduled to begin on May 25.

In the United States, crude oil and finished product prices declined throughout May. The combined influence on prices across the country from refinery outages on the West Coast during March and reduced output of crude oil at the global level over the past few months were replaced by reports of growing stockpiles of all major petroleum products. Preliminary

monthly data indicate crude oil inventories rose 1 percent from April levels, while gasoline and distillate stocks increased 4.3 percent and 7.4 percent, respectively. Mounting crude oil prices, in combination with growing stocks of finished products, continued to affect finished product price margins. A comparison of spot market prices for West Texas Intermediate (WTI) crude oil at Cushing, Oklahoma and No. 2 heating oil at New York Harbor shows a deepening deterioration of the margin between the two prices. The trend began last month, but developed during May to the point where the per-gallon price for the former exceeded the latter during most of the second half of month. While this is the most extreme example, other product prices in these and other regional markets show similar patterns.

Figure HL1. Crude Oil and Petroleum Product Wholesale



Sources: Energy Information Administration. Crude oil refiner acquisition cost: Form EIA-14, "Refiners' Monthly Cost Report"; petroleum product prices: Form EIA-782A, "Refiners'/Gas Plant Operators' Monthly Petroleum Product Sales Report."

Table HL1. U.S. Refiner Prices and Volumes of Petroleum Products

(Prices: Cents per Gallon Excluding Taxes, Volumes: Million Gallons per Day)

Products	Sales to End Users						Sales for Resale					
	May 1999		April 1999		May 1998		May 1999		April 1999		May 1998	
	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume
Motor Gasoline	78.2	64.5	79.0	64.3	71.0	65.6	61.6	313.0	62.3	312.2	57.9	311.1
Conventional	73.2	39.6	72.7	39.9	68.7	40.7	57.3	211.7	57.3	214.8	55.1	212.0
Regular	69.3	27.8	68.9	28.1	64.9	28.5	55.1	163.8	55.2	167.0	53.0	163.2
Midgrade	79.0	6.2	78.2	6.3	74.0	6.4	61.9	15.5	62.3	15.6	58.8	16.2
Premium	86.7	5.5	85.5	5.6	81.6	5.8	66.1	32.4	66.1	32.2	63.5	32.6
Oxygenated	83.3	1.7	85.6	1.7	74.2	2.0	71.8	5.8	NA	5.6	63.0	5.5
Regular	81.4	1.4	83.7	1.4	71.6	1.6	71.4	4.3	NA	4.2	61.8	4.2
Midgrade	87.7	0.2	90.1	0.2	80.2	0.2	67.3	0.9	68.6	0.9	64.4	0.8
Premium	96.6	0.1	99.6	0.1	89.2	0.2	NA	NA	NA	NA	71.8	0.5
Reformulated	86.2	23.2	89.6	22.7	74.8	22.9	NA	NA	73.4	91.7	64.0	93.6
Regular	82.5	15.8	86.8	15.6	70.4	15.2	67.5	66.2	71.0	63.7	60.7	63.1
Midgrade	90.5	3.7	93.2	3.6	79.9	3.8	NA	NA	NA	NA	68.4	10.6
Premium	97.8	3.7	98.4	3.5	87.3	3.9	NA	NA	NA	NA	72.3	19.9
Aviation Gasoline	103.5	0.1	101.3	0.2	99.9	0.2	97.8	0.7	98.8	0.7	94.0	0.7
Kerosene-Type Jet Fuel	46.8	50.3	48.3	49.0	46.7	49.4	47.2	10.5	46.9	13.3	46.9	11.0
Propane (Consumer Grade)	42.4	2.3	45.1	3.7	36.2	2.3	29.0	25.2	28.6	28.1	29.3	25.0
Kerosene	49.6	0.1	48.9	0.4	56.0	0.1	45.2	1.1	48.5	1.0	45.8	1.1
No. 1 Distillate	NA	NA	NA	NA	53.0	0.3	56.7	0.3	56.2	0.4	56.4	0.2
No. 2 Distillate	51.5	23.8	52.2	24.9	51.4	23.7	47.1	119.6	47.9	122.5	46.1	115.8
No. 2 Fuel Oil	NA	NA	49.9	3.3	48.5	3.2	43.7	21.0	44.5	23.6	43.4	28.6
No. 2 Diesel Fuel	52.1	20.7	52.5	21.6	51.9	20.5	47.8	98.6	48.7	98.9	47.0	87.2
Low Sulfur	54.3	13.8	54.9	14.3	53.7	13.8	48.2	85.0	49.3	84.3	47.6	72.9
High Sulfur	47.6	6.9	47.8	7.3	48.3	6.7	45.3	13.6	45.4	14.6	44.0	14.3
No. 4 Fuel^a	NA	NA	43.5	0.2	43.6	0.3	NA	NA	38.2	0.2	40.3	0.1
Residual Fuel Oil	34.6	14.7	30.9	14.1	31.8	13.2	32.0	9.7	29.5	17.0	29.4	14.5
Sulfur Content not > 1 %	NA	NA	32.7	5.0	37.6	3.0	34.7	5.0	30.7	6.7	31.9	4.7
Sulfur Content > 1 %	33.2	7.8	29.9	9.1	30.1	10.2	29.2	4.7	28.8	10.3	28.2	9.8

NA = Not available.

^a Includes No. 4 fuel oil and No. 4 diesel fuel.

Notes: Motor gasoline averages and totals prior to October 1993 include leaded gasoline.

Notes: Values shown for the current month are preliminary. Values shown for previous months are revised. Data are final upon publication in the *Petroleum Marketing Annual*.

Source: Energy Information Administration Form EIA-782A, "Refiners'/Gas Plant Operators' Monthly Petroleum Product Sales Report."

Additional May market and sales activity for crude oil and the principal petroleum products are summarized in the following sections.

Crude Oil

Despite reaching a 17-month high early in the month, the May daily spot price for West Texas Intermediate (WTI) crude oil at Cushing, Oklahoma followed an overall downward path during the ensuing weeks as the level of enthusiasm over wellhead production cuts began to dissipate. Opening at \$18.69 per barrel, the price quickly moved to the month's high of \$18.94 per barrel on May 4. Continuing from that point in a generally declining mode, the price reached the low on May

19 due to reports that crude oil stocks were registering increases. Closing at \$16.85 per barrel, the price was \$1.84 per barrel lower than where it started May.

- Monthly average crude oil prices for May rose moderately from April levels. The average domestic crude oil first purchase price increased \$1.00 (7.8 percent), to \$13.84 per barrel.
- The average free-on-board (f.o.b.) cost of imported crude oil rose 18 cents (1.3 percent), to \$14.30 per barrel. The average landed cost of foreign crude oil climbed 33 cents (2.2 percent), to \$15.36 per barrel.
- The monthly average refiner acquisition cost for domestic crude oil shows the largest degree of change, increasing \$1.54 (10.2 percent), to \$16.59 per barrel. The average cost of imported crude oil to U.S. refin-

ers rose 50 cents (3.4 percent), to \$15.35 per barrel. The composite refiner acquisition cost of crude oil increased 91 cents (6.1 percent), to \$15.83 per barrel.

Petroleum Products

Motor Gasoline

Like prices for other major petroleum products, the daily spot price for unleaded regular gasoline at New York Harbor followed a descending path during May. Beginning at 52.7 cents per gallon, the price rose to a 17-month high of 53.6 cents per gallon on May 4. Influenced by reports of increased production and rising stocks, the price entered into a period of decline and reached the low of 46.1 cents per gallon on May 18. After a slight recovery during the final week of the month, the price closed at 47.0 cents per gallon, 5.7 cents lower than where it started May.

- May national average gasoline prices show only small changes from April levels. The average price for retail sales of motor gasoline by refiners eased 0.8 cent, to 78.7 cents per gallon, while the average wholesale price fell 0.7 cent to 61.6 cents per gallon. Including data reported by a sample of motor gasoline marketers, the national average retail price at company-operated retail outlets dropped 0.8 cent to 78.2 cents per gallon. The average wholesale price decreased 0.8 cent to 61.4 cents per gallon. The average dealer tank wagon (DTW) price dropped 1.4 cents to 72.8 cents per gallon, while the average rack price decreased 0.9 cent to 58.2 cents per gallon. The average price for bulk sales rose 0.3 cent to 50.3 cents per gallon. The range between reformulated and conventional gasoline prices was 11.1 cents at both retail and wholesale. The margin between conventional and oxygenated gasoline prices was 7.4 cents at retail and 12.6 cents at wholesale.
- Sales of finished motor gasoline by refiners during May also show only marginal changes from last month's levels. Total sales rose 1.0 million gallons per day (0.3 percent), to an average of 377.5 million gallons per day. Retail sales climbed 200,000 gallons per day (0.3 percent), while wholesales increased 800,000 gallons per day (0.3percent).

No. 2 Distillate

The daily spot price for No. 2 heating oil at New York Harbor fell throughout May due to a combination of factors including brimming stockpiles of product and the shift of market interest to gasoline prior to the summer driving season. Opening at 45.5 cents per gallon, the price rose to the month's high of 45.9 cents per gallon on May 5. Following a general downward market trend, the price steadily lost ground during the ensuing weeks. Closing the month at its lowest point, 39.6 cents per gallon, the price was nearly 6 cents per gallon lower than where it started May.

- Like gasoline, monthly average No. 2 distillate prices show only marginal changes from April levels. The national average residential price dropped 0.6 cent to 82.3 cents per gallon, while the average wholesale price fell 0.9 cent to 47.3 cents per gallon. The average price for No. 2 diesel fuel at company-operated retail outlets remained unchanged, while the average wholesale price decreased 0.9 cent. The variation between low- and high-sulfur diesel fuel prices was 4.8 cents at retail and 2.5 cents at wholesale.
- Refiner sales of No. 2 distillate generally fell during May. Sales of No. 2 diesel fuel decreased 1.2 million gallons per day (1.0 percent), with low-sulfur No. 2 diesel fuel rising 200,000 gallons per day (0.2 percent), and high-sulfur diesel fuel declining 1.4 million gallons per day (6.4 percent).

Residual Fuel Oil

- Residual fuel oil prices increased during May. Refiner prices for low-sulfur residual fuel rose 3.3 cents to 33.2 cents per gallon at wholesale. High-sulfur residual fuel prices increased 3.3 cents to 33.2 cents per gallon at retail, and 0.4 cent to 29.2 cents per gallon at wholesale. Including data reported by the sample of residual fuel oil marketers, the average low-sulfur price rose 3.1 cents to 36.1 cents per gallon at retail, and 5.7 cents to 35.7 cents per gallon at wholesale. The average price for high-sulfur residual fuel oil increased 2.7 cents to 33.1 cents per gallon at retail, and 1.5 cents to 30.6 cents per gallon at wholesale.
- Unlike prices, residual fuel oil sales by refiners declined in May. Total sales decreased 6.7 million gallons per day (21.5 percent), to 24.4 million gallons per day. Sales of residual fuel oil rose 600,000 gal-

lons per day at retail, and fell 7.3 million gallons at wholesale.

Other Products

- Prices for products included in this section were mixed during May. Refiner propane prices fell 2.7 cents per gallon at retail, but inched up 0.4 cent per gallon at wholesale. Including data from a sample of propane marketers, the average residential propane price increased 2.5 cents per gallon. The average retail price for propane rose 1.0 cent, while the average wholesale price increased 0.3 cent per gallon. Prices for kerosene-type jet fuel fell at retail but rose at wholesale. Prices for aviation gasoline and kerosene did just the opposite, rising at retail and declining at wholesale. The price for No. 1 distillate shows a slight increase at the wholesale level.
- Refiner sales of propane again declined at both retail and wholesale during May. Sales of kerosene-type jet fuel rose at retail and fell at wholesale while aviation gasoline sales remained flat. Sales of kerosene were mixed, falling at retail and rising at wholesale, while sales of No. 1 distillate fell again at wholesale during May.

